MEMORANDUM

To: Mr. James N. D’Andrea, Principal
   Northwest High School

From: Roger W. Pisha, Supervisor, Internal Audit Unit

Subject: Report on Audit of Independent Activity Funds for the Period
          May 1, 2018, through April 30, 2019

Independent Activity Funds (IAFs) of Montgomery County Public Schools (MCPS) are established to promote the general welfare, education, and morale of students, as well as to finance the recognized extracurricular activities of the student body. School principals are the fiduciary agents for the IAFs charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fundraisers. They are responsible for ensuring that the IAFs are administered in accordance with Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with policies, regulations, and procedures, and to review processes for continuous improvement. Generally accepted audit procedures guide the work of the auditors who examine samples of the IAF records and financial accounts selected from documentation of various activities to verify their accuracy, as well as to assess the effectiveness of financial control procedures. An IAF audit does not review every transaction or school activity, but seeks to provide reasonable assurance that any significant errors or omissions in the financial records are detected.

At our June 3, 2019, meeting with you; Mrs. Lori C. Knight, school business administrator; and Mrs. Kathy L. Serbin, school financial specialist, we reviewed our prior audit report dated June 25, 2018, and the status of present conditions. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

Cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. Remittances received should, in turn, be promptly deposited into the school’s bank account. In addition, all remittances on hand must be deposited before each weekend or holiday (refer to MCPS Financial Manual, chapter 7, page 4). We noted that staff collecting funds for drama, athletics, field trips, fund-raisers were holding rather than remitting them timely to the
school financial specialist. Also, the school financial specialist was not always making timely
deposits, holding money in excess of permitted amounts. Infrequent deposits increase the
possibility of a loss of funds and diminish the school’s ability to fund activities. To minimize the
risk of loss and provide for the availability of funds to meet school needs, all funds collected should
be remitted to the school financial specialist daily for prompt deposit.

Summary of Recommendations

- Cash and checks collected by sponsors must be promptly remitted to the school financial
  specialist for prompt deposit.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and
assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial
Operations/Independent Activity Funds*, using the attached form, please provide a written response
to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a
detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Dr. Adrienne L. Morrow,
director of learning, achievement, and administration, Office of School Support and Improvement.
Based on the audit recommendations, Dr. Morrow will indicate whether she will conduct an
electronic review of your action plan or schedule a time to meet in person with you and your school
financial agents to support you with developing a well-defined plan to address the findings.

RWP:BK:lsh

Attachment

Copy to:
Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Dr. Williams
Mrs. Camp
Mrs. Chen
Ms. Diamond
Dr. Morrow
Mr. Tallur
Ms. Webb
**FINANCIAL MANAGEMENT ACTION PLAN**

<table>
<thead>
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<tbody>
<tr>
<td>School: Northwest HS - 246</td>
<td>Principal: Jimmy D'Andrea</td>
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<td>OSSI</td>
<td>OSSI Director: Adrienne Morrow</td>
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<td>Associate Superintendent: Eric Wilson</td>
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**Strategic Improvement Focus:**
As noted in the financial audit for the period 5/1/18 - 4/30/19, strategic improvements are required in the following business processes:

Cash and checks collected by sponsors must be promptly remitted to the school financial specialist for prompt deposit.

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
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<td>Continue to meet with sponsors whose duties include making daily deposits. Financial specialist to check dates on checks to ensure sponsors are adhering to the proper procedures. Financial specialist to make notations on deposit slip when monies are turned in after 3:00 p.m. or other situations arise.</td>
<td>Financial Specialist</td>
<td>Bank Statement</td>
<td>All seemingly late deposits will have an explanation written on Form 280-34.</td>
<td>School Business Administrator (Monthly) Principal (Quarterly)</td>
<td>Deposits recorded on bank statement and notations made on IAF Remittance form.</td>
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**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☐ Approved  ☐ Please revise and resubmit plan by __________

Comments: 

Director: [Signature]  Date: 8/5/19

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